

ALPHA UNIVERSAL MANAGEMENT PLC

(formerly Lotus Resources plc.)

Annual Report and Financial Statements

For the year ended 30 September 2011

ALPHA UNIVERSAL MANAGEMENT PLC

Company information

DIRECTORS:	Gobind Sahney (Chairman) Jonathan Bradley-Hoare (Non-Executive Director)
REGISTERED OFFICE:	31 Harley Street London W1G 9QS
SECRETARY:	Jonathan Bradley-Hoare
AUDITOR:	Chantrey Vellacott DFK LLP Registered Auditor Chartered Accountants Russell Square House 10-12 Russell Square London WC1B 5LF
SOLICITORS:	Burges Salmon LLP Narrow Quay House Narrow Quay Bristol BS1 4AH
BANKERS:	HSBC Bank plc 69 Pall Mall St James's London SW1Y 5EY
CORPORATE ADVISOR AND BROKER:	Rivington Street Corporate Finance 3 rd Floor 3 London Wall Buildings London Wall London EC2A 5SY
REGISTRARS:	Share Registrars Limited First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL

Contents of the financial statements

	Page
Chairman's statement	1
Directors' report	2
Independent auditor's report	5
Income statement and statement of comprehensive income	6
Balance sheet	8
Statement of changes in equity	10
Statement of cash flows	12
Notes to the financial statements	14

Chairman's statement

Dear shareholder

Since writing last year's Chairman's statement there have been many changes to the Company. We have successfully divested ourselves of our Mongolian assets, changed our name to Alpha Universal Management plc and changed our business focus.

Your Company is now focused on acquiring and managing distressed debt. Although we incurred an operating loss for the year, we have kept overheads very low, whilst continuing to progress the new strategy.

The Company is focused on the UK and European distressed debt markets for retail unsecured loans. Our goal is to minimise the value at risk and target opportunities that will provide above average risk adjusted returns to our shareholders. At present we are looking at several opportunities but are particularly focusing on one European country that is under considerable fiscal pressure. In this country we have progressed discussions with several financial institutions whereby we have the opportunity to become their contracted distressed asset manager. This strategy will allow the financial institutions to deleverage and derecognise the assets. We are working with the top financial law firm and a big four accounting firm on this initiative and expect to see results in the second quarter of 2012.

Additionally, we have been exploring different capital raising formats which include the Enterprise Investment Scheme. The Company has become the manager of a limited company that is involved in raising capital and investing in distressed debt. Although we view this initially as a loss making opportunity, we are confident, that if our client is successful this will become a fast growing segment of the business. The Company will receive a management and performance fee for such services.

Lastly, we have brought on board a group of advisors and individuals who are relevant to the industry and are able to provide the Company with professional experience. We much appreciate the involvement and commitment of time by this group. Please see their CVs at www.aumplc.com.

I look forward to further communications with you in the future.

Gobind Sahney
Chairman

28 March 2012

ALPHA UNIVERSAL MANAGEMENT PLC

Directors' report for the year ended 30 September 2011

The directors present their report and the audited financial statements for the year ended 30 September 2011.

PRINCIPAL ACTIVITY AND CHANGE OF NAME

Since the disposal of the Mongolian operations in November 2010, the Company's focus has been that of investment in the acquisition of debt portfolios and other discounted assets. On 20 December 2010 the shareholders approved the change of the Company's name to Alpha Universal Management plc.

COMPANY REGISTRATION

The Company is incorporated and domiciled in the United Kingdom and is registered in England and Wales with Company Registration Number 05890789.

RESULTS

For the year to 30 September 2011 the Company made a loss of £237,031 (2010: a loss of £372,301) Further details are shown in the income statement on page 6.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the business and future developments is included within the Chairman's statement on page 1.

KEY PERFORMANCE INDICATORS

The directors constantly review the Company's current and projected cash positions.

DIRECTORS

The directors who served during the year and their interests in the Company's ordinary shares as at 23 March 2012 were as follows:

		No of shares	%age of equity
G Sahney	(appointed 18 November 2010)	400,000	14.27%
J Bradley-Hoare		106,443	3.80%
J P Benson	(resigned 18 November 2010)	83,806	2.99%

Details of any related party payments made to the directors are shown in note 20 of the accounts.

CAPITAL STRUCTURE

Details of share issues during the year are disclosed in note 13 to the financial statements.

In addition to the directors' shareholdings, detailed above, the Company has been notified, or is aware of, the following interests of 3% or more of the ordinary share capital of the Company at 23 March 2012

	No of shares	%age of equity
Fiske Nominees Limited	626,724	22.36%
Starvest Plc	300,000	10.70%
Vidacos Nominees Limited (CGMICLT)	172,414	6.15%
Vidacos Nominees Limited (CLRLUX)	143,445	5.12%
Redmayne (Nominees) Limited	137,931	4.92%
Jim Nominees Limited	112,730	4.02%

Directors' report for the year ended 30 September 2011

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal business risk is that the directors may not be able to conclude agreements for the acquisition of suitable businesses that meet the criteria of its business strategy.

The financial risks to which the Company is exposed and the Company's strategy in connection with managing these risks is detailed in note 17 to the financial statements. These risks relate to the Company's current activity that of investment in the acquisition of debt portfolios and other discounted assets

POST BALANCE SHEET EVENTS

On 14 October 2011, the Company subscribed for 3,076,923 shares representing 4.8% of the total equity of Woodburne Square AG plc for a total investment of £100,000.

POLICY AND PRACTICE ON THE PAYMENT OF CREDITORS

The Company aims to pay all its creditors promptly. It is the Company's policy to agree the payment terms at the start of business with each supplier, ensure that suppliers are aware of the terms of payment, and pay in accordance with contractual and other legal obligations.

The Company had 15 days' purchases outstanding at 30 September 2011 based on the average daily amount invoiced by suppliers during the period (30 September 2010: 15 days).

LOTUS MINERALS MONGOLIA LLC ("LMM")

On 18 November 2010 the Company completed the disposal of its subsidiary undertaking LMM. The Company's financial statements for 30 September 2010 were drawn up following the completion of the disposal of LMM, as detailed in note 10, and adjustments were made to the accounts to reflect the Company's net asset position resulting from the disposal. Thus the completion of the disposal on 18 November 2010 had no effect on the income statement or the balance sheet of the Company for the year ended 30 September 2011. Accordingly incorporating the results of LMM for the short period during which it was a subsidiary would have no material effect on the reported result for the year or on the reported financial position of the Company at 30 September 2011, so the accounts for the year have been prepared on an unconsolidated basis.

Directors' report for the year ended 30 September 2011

AUDITOR

In the case of each person who was a director at the time this report was approved:

- so far as that director is aware there is no relevant available information of which the Company's auditor is unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution to reappoint Chantrey Vellacott DFK LLP as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

On behalf of the Board
J Bradley-Hoare
Director

28 March 2012

Independent auditors' report to the shareholders of Alpha Universal Management PLC

We have audited the financial statements of Alpha Universal Management plc for the year ended 30 September 2011 which comprise the Statement of Comprehensive Income the Balance sheet, the Statement of Changes in Equity, the Statement of Cash Flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

IAN STAUNTON (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London
29 March 2012

ALPHA UNIVERSAL MANAGEMENT PLC

Income statement and statement of comprehensive income for the year ended 30 September 2011

	Notes	2011 £	2010 £
Continuing operations			
Administration expenses		(179,031)	(102,520)
Impairment of investment	11	(58,000)	-
Operating loss	2	(237,031)	(102,520)
Interest receivable	5	-	177
Finance costs	6	-	(25,074)
Loss before taxation		(237,031)	(127,417)
Taxation	7	-	-
Loss for the year from continuing operations		(237,031)	(127,417)
Loss for the year from discontinued operations		-	(244,884)
Loss for the year and total comprehensive expense		(237,031)	(372,301)
Loss per share			
From continuing operations:			
Basic and diluted (pence per share)	8	(10.8)	(9.5)
From continuing and discontinued operations:			
Basic and diluted (pence per share)	8	(10.8)	(18.3)

The accompanying accounting policies and notes are an integral part of these financial statements.

ALPHA UNIVERSAL MANAGEMENT PLC

Balance sheet As at 30 September 2011

	Notes	2011 £	2010 £
ASSETS			
Non-current assets			
Property, plant and equipment	9	-	586
Investment in subsidiaries	11	-	297,000
		-	297,586
Current assets			
Trade and other receivables	12	4,890	11,146
Cash and cash equivalents		195,969	621
		200,859	11,767
Total assets		200,859	309,353
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	13	896,451	740,244
Share premium		812,830	758,037
Accumulated losses		(1,535,024)	(1,297,993)
		174,257	200,288
Current liabilities			
Trade and other payables	14	26,602	109,065
Total equity and liabilities		200,859	309,353

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2012 and were signed on its behalf by:

Gobind Sahney
Director

J Bradley-Hoare
Director

The accompanying accounting policies and notes are an integral part of these financial statements.

ALPHA UNIVERSAL MANAGEMENT PLC

Statement of changes in equity For the year ended 30 September 2011

	Share capital		Share premium £	Accumulated losses £	Total equity £
	Ordinary shares £	Deferred shares £			
1 October 2009	454,269	-	574,968	(889,489)	139,748
Retained loss for year	-	-	-	(372,301)	(372,301)
Total comprehensive expense for the year	-	-	-	(372,301)	(372,301)
Share issue (note 13)	285,975	-	191,069	-	477,044
Share issue costs	-	-	(8,000)	-	(8,000)
Share based payments	-	-	-	(36,203)	(36,203)
1 October 2010	740,244	-	758,037	(1,297,993)	200,288
Retained loss for year	-	-	-	(237,031)	(237,031)
Total comprehensive expense for the year	-	-	-	(237,031)	(237,031)
Capital reconstruction	(616,195)	616,195	-	-	-
Share issues (note 13)	156,207	-	56,793	-	213,000
Share issue costs	-	-	(2,000)	-	(2,000)
30 September 2011	280,256	616,195	812,830	(1,535,024)	174,257

The accompanying accounting policies and notes are an integral part of these financial statements.

ALPHA UNIVERSAL MANAGEMENT PLC

Statement of cash flows For the year ended 30 September 2011

	Notes	2011 £	2010 £
Net cash from operating activities	16	(224,652)	(317,935)
Cash flows from investing activities:			
Purchases of property, plant and equipment		-	(1,082)
Increase in loans to discontinued operations		-	(304,865)
Proceeds from disposal of investments		328,000	-
Costs of disposal of investments		(31,000)	-
Finance income		-	177
Net cash from/(used in) investing activities		297,000	(305,770)
Cash flows from financing activities:			
Proceeds from the issue of shares		125,000	457,536
Share issue costs		(2,000)	(8,000)
Issue of convertible loan note		-	500,000
Repayment in respect of convertible loan note		-	(335,081)
Finance costs		-	(25,074)
Net cash flow from financing activities		153,000	589,381
Net increase/(decrease) in cash and cash equivalents		195,348	(34,324)
Cash and cash equivalents at the beginning of the year		621	34,945
Cash and cash equivalents at the end of the year		195,969	621

The accompanying accounting policies and notes are an integral part of these financial statements.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

GENERAL INFORMATION

Alpha Universal Management plc ('the Company') is a company registered in England and Wales on 26 July 2006 under the Companies Act 1985. The address of the registered office is given on the "Company information" page at the front of this document. The nature of the Company's operations and its principal activities are set out in the Directors' report.

These financial statements are presented in pounds sterling being the functional currency of the Company.

BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRS.

The Company's financial statements for 30 September 2010 were drawn up following the completion of the disposal of the discontinued operations, as detailed in note 10, and adjustments were made to the accounts to reflect the Company's net asset position resulting from the disposal. Thus the completion of the disposal on 18 November 2010 had no effect on the income statement or the balance sheet of the Company for the year ended 30 September 2011. Accordingly incorporating the results of LMM for the short period during which it was a subsidiary would have no material effect on the reported result for the year or on the reported financial position of the company at 30 September 2011, so the accounts for the year have been prepared on an unconsolidated basis.

The principal accounting policies adopted are set out below.

GOING CONCERN

The directors have considered the financial position of the Company, its cash position and future cash flows when considering going concern. They have also considered the Company's business activities, the key policies for managing financial risks and the key factors affecting the likely development of the business in 2012. In the light of this review, the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

Notes to the financial statements
For the year ended 30 September 2011

STATEMENT OF COMPLIANCE

The financial statements comply with International Financial Reporting Standards as adopted by the European Union. At the date of authorisation of these financial statements, the following Standards and Interpretations affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective (and in some cases had not been adopted by the EU):

		Effective for accounting periods beginning on or after:
IFRS 7 (amended)	<i>Disclosures - Transfers of Financial Assets</i>	1 July 2011
IFRS 9	<i>Financial Instruments</i>	1 January 2013
IFRS 10	<i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11	<i>Joint Arrangements</i>	1 January 2013
IFRS 12	<i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13	<i>Fair Value Measurement</i>	1 January 2013
IAS 1 (amended)	<i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
IAS 12 (amended)	<i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
IAS 19 (revised)	<i>Employee Benefits</i>	1 January 2013
IAS 27 (revised)	<i>Separate Financial Statements</i>	1 January 2013
IAS 28 (revised)	<i>Investments in Associates and Joint Ventures</i>	1 January 2013
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

The directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Company when the relevant Standards come into effect for future reporting periods.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in connection with the Company's principal activities, net of VAT and trade discounts. There was no revenue in respect of continuing activities in 2011 or in 2010.

INVESTMENTS

The company's investments are shown at cost less any provisions for impairment.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each balance sheet date, the Company reviews the net book amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In determining fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

ASSETS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal Groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of the subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

TRADE RECEIVABLES

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash in hand and demand deposits.

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

TRADE PAYABLES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

SEGMENT REPORTING

The Company determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO"), who is the Company's chief operating decision maker.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Information provided to the CEO is focused on regions and as a result, reportable segments are on a regional basis. In 2011 all the Company's activities occurred in the United Kingdom.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS

All share based payments are accounted for in accordance with IFRS 2 - "Share-based payments". The Company issues equity-settled share based payments in the form of share warrants to certain directors and employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using a binomial probability valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

TAXATION

The taxation ('tax') expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

The financial information is presented in United Kingdom pounds sterling which is the functional currency of the Company.

Monetary assets and liabilities denominated in foreign currencies in each company are translated at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are translated at the rate prevailing at the date of transaction.

On consolidation, revenues, costs and cash flows of undertakings abroad are included in the Company income statement at average rates of exchange for the year. The assets and liabilities denominated in foreign currencies are translated into United Kingdom pounds sterling using rates of exchange ruling at the balance sheet date.

Exchange differences on the re-translation of opening net assets and results for the year of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated income statement.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies and key sources of estimation uncertainty, which are described above, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial information:

- The valuation of warrants issued by the Company involves the application of judgement in determining the variables inputs to the valuation model. These variables are described in note 15.
- The carrying value of investments, and assessment thereof for impairment, involve the application of judgement in determining recoverable amounts, as detailed in note 11.

Notes to the financial statements
For the year ended 30 September 2011

2. LOSS FROM OPERATIONS

The loss from operations in the year to 30 September 2011 has been arrived at after charging the following amounts:

	2011 £	2010 £
Depreciation of property, plant and equipment	586	1,834
Auditors' remuneration:		
Audit services	8,000	18,698
Other services	850	638
Share based payment (credit)/expense	-	(36,203)
Net foreign exchange (gains)/losses	-	(19,610)

3. SEGMENT REPORTING

The Company's activity is that of investment and management of debt portfolios and other discounted assets. During the year the Company had no trading activities as no business was acquired, so no segmental analysis is appropriate.

4. STAFF COSTS

The average number of people employed by the Company (including directors) during the year was:

	2011	2010
Management and administration	2	5

Staff costs during the year amounted to:

	2011 £	2010 £
Wages and salaries	36,000	38,518
Social security	-	-
Other benefits	-	4,113
Share based payments	-	-
	36,000	42,631

Included within staff costs are directors' emoluments amounting to:

	2011 £	2010 £
Short term employee benefits	36,000	31,495
Other benefits	-	4,003
	36,000	35,498

During the year £25,000 was paid to Receivable Acquisition & Liquidation LLC for the services of a director.

Notes to the financial statements
For the year ended 30 September 2011

5. INTEREST RECEIVABLE

	2011 £	2010 £
Interest on bank deposits	-	177

6. FINANCE COSTS

	2011 £	2010 £
Convertible loan note	-	24,919
Bank interest	-	155
	-	25,074

7. TAXATION

	2011 £	2010 £
Current taxation		
Current tax charge for the year	-	-
Deferred taxation		
Current year (credit)	-	-
Total tax charge	-	-

A reconciliation between the accounting loss and the total taxation charge is as follows:

	2011 £	2010 £
Loss before taxation from continuing operations	237,031	127,417
Loss multiplied by standard rate of corporation tax in the UK of 27% (2010: 28%)	63,998	35,677
Effect of:		
Permanent differences	(1,843)	(14,549)
Deferred tax assets not recognised	(62,156)	(21,128)
Total tax charge for the year	-	-

The Company has unutilised losses of approximately £1,190,000 (2010: £960,000). The Company has not recognised a deferred tax asset in respect of these losses as there is insufficient evidence of future taxable profits.

Notes to the financial statements
For the year ended 30 September 2011

8. LOSS PER SHARE

	2011 £	2010 £
Loss for the year from continuing operations	(237,031)	(127,417)
Loss for the year from discontinued operations	-	(244,884)
Loss for the year from continuing and discontinued operations	(237,031)	(372,301)
	2010 Number	2009 Number
Weighted average number of ordinary shares in issue during the year	2,200,028	1,340,922
Basic and diluted loss per share:		
- from continuing operations	(10.8)p	(9.5)p
- from discontinued operations	-	(18.3)p
- from continuing and discontinued operations	(10.8)p	(27.8)p

The basic and diluted loss per share from continuing and discontinued operations is based on the loss after taxation of £237,031 and on the weighted average number of shares in issue during the year of 2,234,529. The share price is currently below the exercise price, so that the directors are of the opinion that the warrants will not exercised and so are not dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures, fittings & equipment £	Total £
Cost:		
At 1 October 2009	851	851
Additions	1,082	1,082
At 30 September 2010	1,933	1,933
At 30 September 2011	1,933	1,933
Accumulated depreciation:		
At 1 October 2009	638	638
Charge for year	709	709
At 30 September 2010	1,347	1,347
Charge for the year	586	586
At 30 September 2011	1,933	1,933
Net book amount:		
At 30 September 2011	-	-
At 30 September 2010	586	586

Notes to the financial statements
For the year ended 30 September 2011

10. DISCONTINUED OPERATIONS

The loss from discontinued operations relates to the business of Lotus Minerals Mongolia LLC ("LMM"). The disposal of LMM was completed on 18 November 2010.

	2011 £	2010 £
Revenue	-	-
Expenses	-	(244,884)
Loss from discontinued operations before tax	-	(244,884)
Tax	-	-
Loss after tax from discontinued operations	-	(244,884)

11. INVESTMENT IN SUBSIDIARIES

	Loans to subsidiary undertakings £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 October 2009	172,200	5,569	177,769
Increase in working capital loans to operating subsidiaries	304,865	-	304,865
Provision against investment in subsidiary undertakings	(180,065)	(5,569)	(185,634)
At 30 September 2010	297,000	-	297,000
Disposal of subsidiary undertakings	(297,000)	-	(297,000)
Acquisition of subsidiary undertaking	-	58,000	58,000
Impairment of investment in subsidiary undertaking	-	(58,000)	(58,000)
At 30 September 2011	-	-	-

The Company completed the disposal of its wholly owned subsidiary undertaking, Lotus Minerals Mongolia LLC, on 18 November 2010 for a cash consideration of £328,000 before costs of disposal.

On 7 April 2011 the Company completed the acquisition of Go Management Limited ("Go Management") for an initial consideration of £58,000, satisfied by the issue of 400,000 ordinary shares at 14.5p each. Go Management was wholly owned by Gobind Sahney and was the company through which he conducted his European debt management business. Its sole asset at the date of acquisition was a contract for his services. On the date of acquisition this contract was transferred to the Company and the value of the investment in Go Management was written down to nil.

In addition to the initial consideration, Mr Sahney is entitled to be issued with additional new ordinary shares equivalent to 8.5% of the Company's issued share capital on completion of each of the first three acquisitions of distressed debt portfolios by the Company, up to a maximum shareholding of 29.9%.

Details of the Company's subsidiary at 30 September 2011 are as follows:

Name of subsidiary	Country of registration or incorporation	Shares held and voting power held by parent company	Principal activity
Go Management Limited	Gibraltar	100% ordinary shares	Dormant

Notes to the financial statements
For the year ended 30 September 2011

12. TRADE AND OTHER RECEIVABLES

	2011 £	2010 £
Trade receivables	-	-
Other receivables	3,026	-
Prepayments and accrued income	1,864	11,146
	4,890	11,146

The directors consider that the carrying amount of other receivables approximates to their fair value.

13. SHARE CAPITAL

	2011 Number of shares	2010 £
ISSUED AND FULLY PAID:		
30 September 2009:		
Ordinary shares of £0.01 each	45,426,926	454,269
30 September 2010:		
Ordinary shares of £0.01 each	74,024,398	740,244
30 September 2011:		
Ordinary shares of £0.10 each	2,802,557	280,256
Deferred shares of £0.40 each	1,540,488	616,195
		896,451

On 17 November 2010, 3,000,002 ordinary shares were issued at par in settlement of the terms of a compromise agreement. Following the reorganisation on 20 December 2010 these shares were consolidated into 60,000 new ordinary shares of 10p each and 60,000 deferred shares of 40p each.

On 20 December 2010 the shareholders approved a resolution to reorganise the issued share capital of the Company whereby every 50 existing and issued ordinary shares of 1p each have been consolidated into one new ordinary share of 10p and one deferred share of 40p, with restrictions attached to the deferred shares that have made them effectively valueless.

On 28 February 2011, 862,069 new ordinary shares of 10p each were issued for cash at 14.5p per share as the result of a placing which raised £125,000.

On 7 April 2011, 400,000 new ordinary shares of 10p each were issued at 14.5p each as consideration for the acquisition of Go Management Limited.

The details of share warrants granted are disclosed in note 15 - "Share-based payments"

Notes to the financial statements
For the year ended 30 September 2011

14. TRADE AND OTHER PAYABLES

	2011 £	2010 £
Current:		
Trade payables	3,493	10,859
Other payables	-	63,844
Other taxation and social security	-	2,555
Accruals and deferred income	23,109	31,807
	26,602	109,065

The directors consider that the net book amount of trade payables approximates to their fair value. All amounts included in trade and other payables are non-interest bearing and are not secured on the assets of the Company. All liabilities are due within one year.

15. SHARE-BASED PAYMENTS

EQUITY-SETTLED SHARE WARRANT SCHEME

The Company makes equity-settled share-based payments to employees and directors. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

No share warrants were issued to directors and employees during the year ended 30 September 2011 or in the previous year. The fair value of services received in return for share warrants is measured by reference to the fair value of share warrants granted. This estimate is based on a Black-Scholes model which is considered most appropriate considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company.

The number and weighted average exercise prices (WAEP) of, and movements in, share warrants during the year are shown below. The numbers of shares and exercise prices have been adjusted for the terms of the share consolidation on 20 December 2010.

	2011		2010	
	Number	WAEP pence	Number	WAEP pence
1 October	897,006	180p	479,678	200p
Granted during the year	-	-	851,826	188p
Forfeited during the year	(532,453)	151p	(434,498)	230p
30 September	364,553	220p	897,006	180p

The share warrants exercisable at 30 September 2011 have an exercise price in the range 150p to 750p (2010: 107p to 750p) and a weighted average contractual life of 1.3 years (2010: 3.2 years).

There were no share warrants exercised during the year ended 30 September 2011 (2010: nil).

Notes to the financial statements
For the year ended 30 September 2011

15. SHARE-BASED PAYMENTS (continued)

At 30 September 2011, exercisable share warrants totalled 364,553, after adjusting for the terms of the share consolidation, as follows:

Date of grant	Expiry date	Number of warrants	Exercise price per share	Held by Directors and employees	Investors
06 October 2008	30 September 2015	11,496	150p	-	11,496
06 October 2008	30 September 2015	16,500	500p	-	16,500
06 October 2008	30 September 2015	16,500	750p	-	16,500
26 February 2009	30 September 2015	166	150p	-	166
26 February 2009	30 September 2015	500	500p	-	500
26 February 2009	30 September 2015	500	750p	-	500
05 August 2009	05 August 2012	24,007	150p	-	24,007
30 March 2010	30 March 2012	147,442	151p	-	147,442
30 March 2010	30 March 2013	147,442	213p	-	147,442
		364,553		-	364,553

For the year ended 30 September 2011, in respect of warrants granted to directors and employees, there was no charge or credit to the income statement (2010: there was a credit of £36,203).

16. NOTES TO THE CASH FLOW STATEMENTS

	2011 £	2010 £
Loss for the year	(237,031)	(372,301)
Investment income	-	(177)
Finance costs	-	25,074
Discount on settlement of convertible loan note	-	(117,452)
Depreciation of property, plant and equipment	586	709
Share based payments	-	(36,203)
Impairment of investment in discontinued operations	-	185,634
Impairment of investment in continuing operations	58,000	-
Operating cash flows before movements in working capital	(178,445)	(314,716)
Decrease /(increase) in receivables	6,256	(7,355)
(Decrease)/increase in payables	(82,463)	4,136
Net cash flow from operating activities	(254,652)	(317,935)

Notes to the financial statements
For the year ended 30 September 2011

17. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash and cash equivalents, trade receivables and other receivables and trade and other payables. The Company's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 1 - "accounting policies". The Company does not use financial instruments for speculative purposes.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

	Loans and receivables	
	2011	2010
	£	£
Trade and other receivables	3,026	-
Cash and cash equivalents	195,969	621
Amounts owed by subsidiary undertakings	-	297,000
	198,995	297,621
	Financial liabilities at amortised cost	
	2011	2010
	£	£
Trade and other payables	3,493	77,257
	3,493	77,257

17. FINANCIAL INSTRUMENTS (continued)

RISK MANAGEMENT

The Company's exposure to financial risks is limited to capital risk, interest rate risk, credit risk, and liquidity risk.

The Company's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Company. The Company has not entered into derivatives transactions and does not trade in financial instruments as a matter of policy.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

CAPITAL RISK MANAGEMENT

The Company is currently financed solely through equity and manages its capital to ensure that it has sufficient financial resources to implement its planned operations while maximising the return to stakeholders. Details of additional equity raised in the year are set out in note 13.

INTEREST RATE RISK

As the Company is solely equity financed the only interest rate risk arises on cash balances. No sensitivity analysis has been presented as the effect of reasonably possible movements are not material.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its counterparties are monitored by the board of directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Company's principal financial assets are cash and cash equivalents, and other receivables. Cash equivalents include amounts held on deposit with financial institutions.

The credit risk on liquid funds held in current accounts and available on demand is limited because the Company's counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk at 30 September 2011 was £198,995 (2010: £297,621)

LIQUIDITY RISK

Liquidity risk is managed through an assessment of short, medium and long-term cash flow forecasts to ensure the adequacy of working capital. Short-term liquidity is managed through short-term deposits. Trade and other payables are all payable within six months and the Company's policy is to ensure that it always has sufficient cash to allow it to meet its liabilities when they become due.

18. COMMITMENTS

The Company had no capital commitments as at 30 September 2011 and 30 September 2010.

19. CONTINGENCIES

The Company had no significant contingent liabilities identified as at 30 September 2011 and 30 September 2010.

20. RELATED PARTY TRANSACTIONS

Key management personnel are considered to be the directors and their emoluments are included in note 4.

During the year £25,000 was paid as consultancy fees to Receivable Acquisition & Liquidation LLC a company of which Gobind Sahney is a director and controlling shareholder. This amount has been included in directors' remuneration.

As detailed in note 11, on 7 April 2011, the Company acquired Go Management Limited, which was wholly owned by Gobind Sahney.

The income statement includes charges from Welbeck Associates Ltd totalling £11,183 in respect of accounting and secretarial services. Jonathan Bradley-Hoare is a director of Welbeck Associates Ltd.

21. POST BALANCE SHEET EVENTS

On 14 October 2011, the Company subscribed for 3,076,923 shares representing 4.8% of the total equity of Woodburne Square AG plc for a total investment of £100,000.